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May 18, 1995

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Fred K. Konrad  
Director  
Federal Relations

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MAY 18 1995

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
1919 M Street, NW  
Room 222  
Washington, DC 20554

Re: **Ex Parte Statement**  
Docket 94-1 and 93-481

Dear Mr. Caton:

On May 17, 1995, Mr. Ronald Blake, President- Ameritech Long Distance Industry Service and I met with Ms. Karen Brinkmann, Special Assistant to Chairman Hundt, to discuss Ameritech's position in the above referenced proceeding. The attached presentation was used as the basis of our discussion.

Sincerely,

Attachment  
cc: K. Brinkmann

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COMPETITIVELY NEUTRAL RECOVERY OF SUBSIDIES

FEDERAL COMMUNICATIONS COMMISSION  
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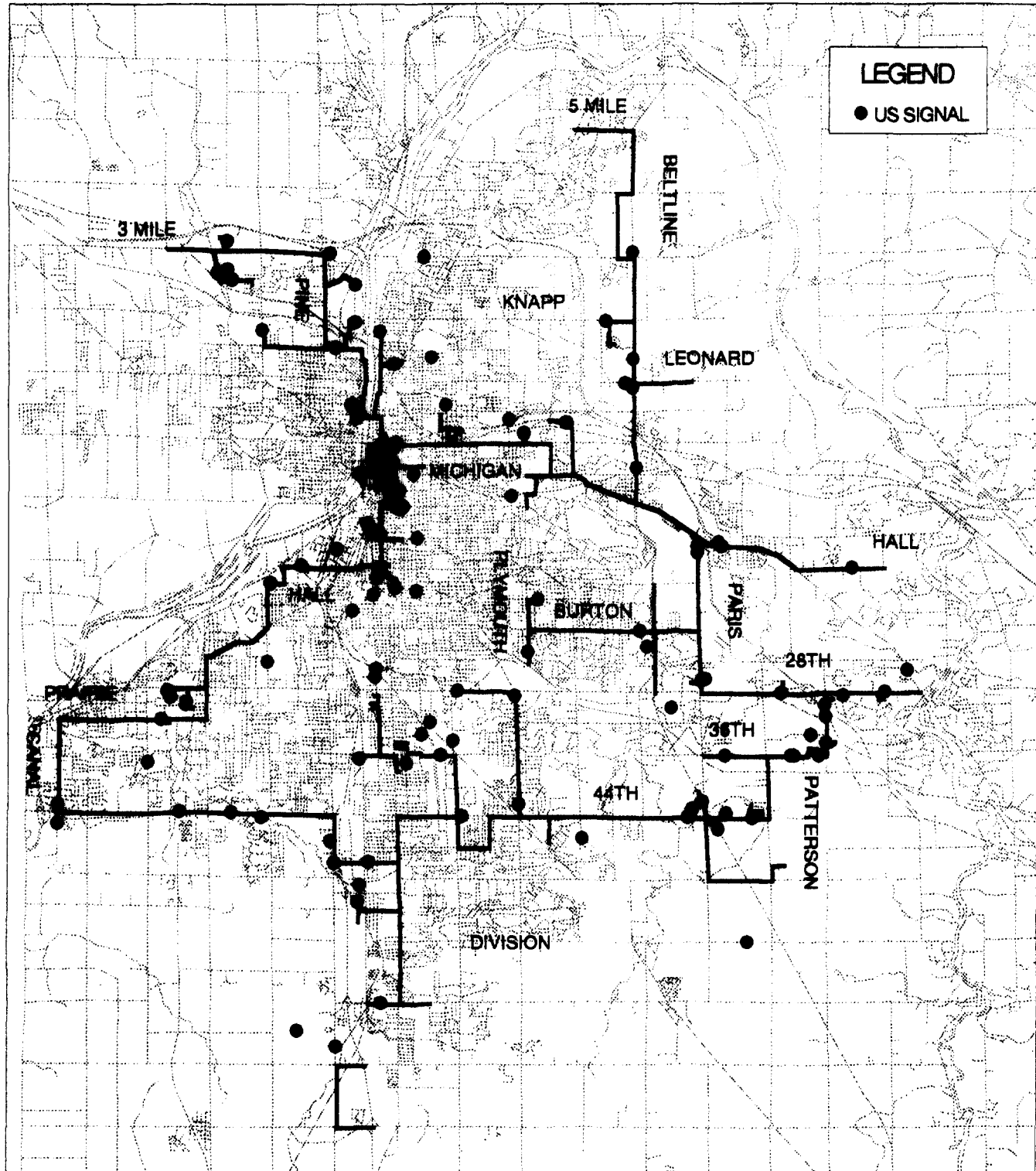
- CCL and RIC subsidies collected today on basis of MOUs at Ameritech local switch
- Unbundling has been ordered by Illinois and Michigan PUCs
  - Local switching competition opportunity greatly increased
  - IXC's motivated to choose competitor alternative just to avoid paying subsidies
- Ameritech's Customer First Plan proposes to recover these subsidies differently
  - A flat rate approach which allocates subsidy responsibility to IXC's currently paying the bill through CCL and RIC
  - Ameritech will participate as a new interLATA carrier
  - An interim approach to maintain flow of subsidies while permanent industry solution can be devised
  - If approved, average charge per MOU would be reduced from current level of \$0.024 down to \$0.015
  - The subsidy pool to be allocated would be \$240M

## EARLY IMPLEMENTATION OF PRICE CAP ORDER

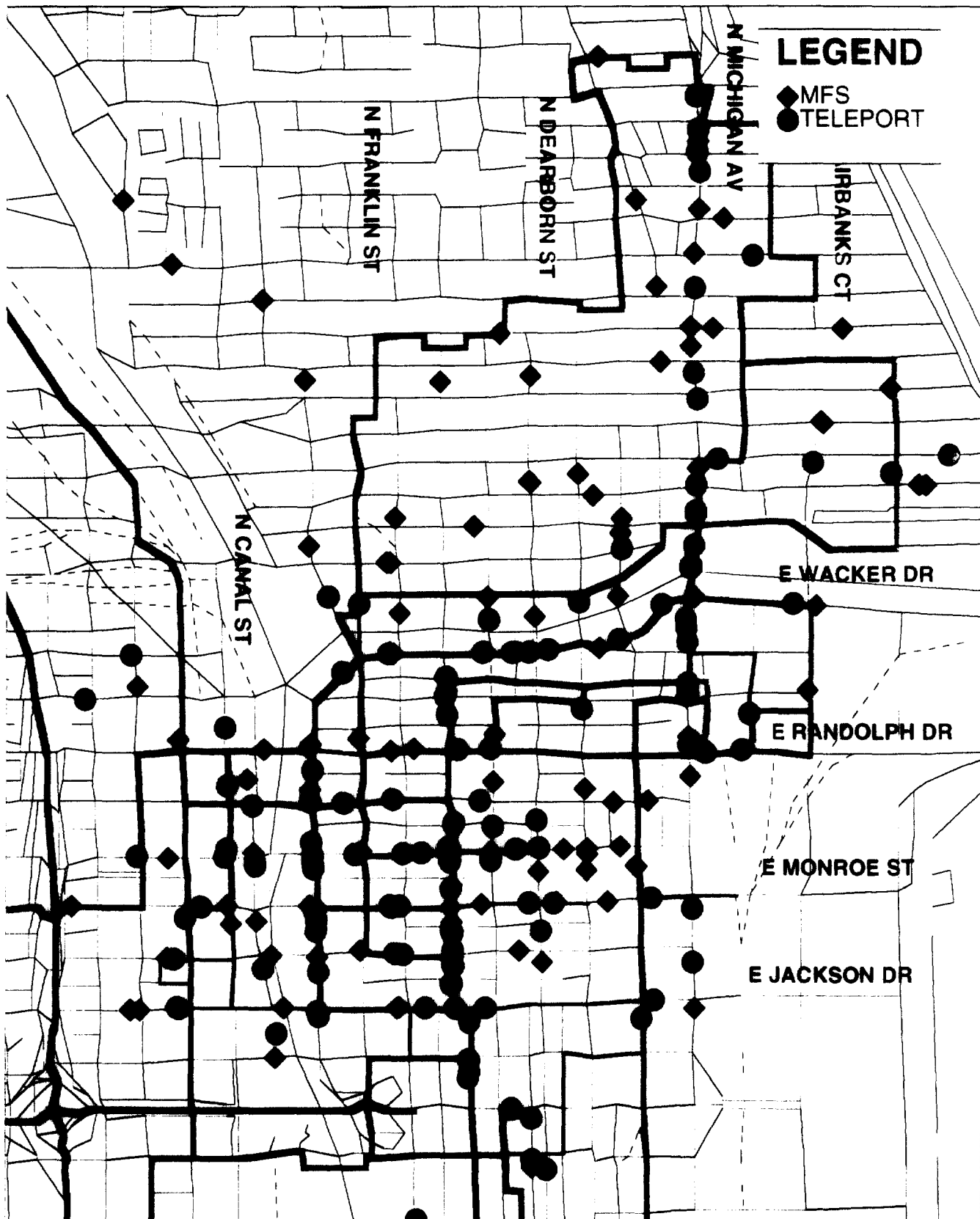
- 5.3% X-Factor/No Sharing effective 1-1-95
- Up front rate reductions (\$28 million annually)
- Consistent with Price Cap Order
  - Accelerates Commission's 5.3% /no sharing option
  - Pure price caps provide incentives which benefit consumers
- Not a deviation from Docket 94-1, only implements it sooner
- This is a reasonable risk for Ameritech and its IXC customers
  - Ameritech's 1995 earnings are good so far, but uncertain for the year
  - A \$66 million rate reduction will be implemented August 1, 1995
  - 60% of Ameritech's access revenues are in jurisdictions with unbundling orders (IL and MI)
  - The big three IXCs have announced plans and/or have become certified to enter Ameritech's exchange marketplace

AT&T in IL and MI  
Sprint's "triple play" in IL  
MCI Metro in IL, MI, OH, etc.

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# MFS & TELEPORT FIBER ROUTES DOWNTOWN CHICAGO



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